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March 12, 2002

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Attention: Constance MacIntosh
Barrister & Solicitor

Dear: Ms. MacIntosh

RE: Pipeline Gathering System - Cameron Hills Area
Paramount Resources Ltd. (Paramount) Land Use Permit MV2000P0055
Proposed Post Construction Wildlife Monitoring Plan
Proposed Right-of-Way Re-vegetation and Permafrost Monitoring Plan

We received your letters of February 15 and March 1, 2002 outlining your comments regarding the subject matters. Paramount Resources Ltd. (Paramount) on behalf of itself and Paramount Transmission Ltd. (PTL) herein provides for your perusal our response to each of your comments presented in the aforementioned letters:

1. Comment (February 15, 2002 letter): As requested in your letter of February 8, 2002, Ka'a'Gee Tu First Nation confirm that they will be submitting names of candidates for the First Nations positions. Please inform the Ka'a'Gee Tu of the required qualifications for the biologist positions. Please also advise us of your deadline for receiving the list of names.

Response: Both the Re-vegetation and Permafrost Monitoring Plan and the Wildlife Monitoring Plan make provision for two First Nations' assistants. However, it should be clearly understood that the two assistants may be chosen from more than one of the regional First Nations, depending upon the number and suitability of the candidates submitted for consideration. Please submit your list of candidates to Shirley Maaskant, Regulatory & Community Affairs Coordinator as soon as possible. If the operational considerations permit, Paramount, will attempt to complete the first set of track counts late in the first winter season of 2002 (more specifically, the latter part of March), as requested by the Government of the Northwest Territories (GNWT). However, any delays in the completion of the construction of the facilities and pipelines or affects from the weather, or the occurrence of an early spring would compromise ideal conditions required to complete track counts (e.g., melting conditions, lack of adequate new snowfall).

One of the two professional biologists (i.e., P. Biol. from an accredited University) for Wildlife Monitoring must have a minimum of 5 years applied experience, be familiar with winter tracks and signs, as well as animal behaviour. Experience in snowmobile operation, habitat delineation, GPS locating, transect establishment, track identification and wildlife behaviour is required. One of the two professional biologists for the Re-vegetation and Permafrost Monitoring must have a minimum of 5 years applied experience, expertise in soil and terrain survey, identification of permafrost and mitigation measures, vegetation ecology and habitats, plant identification (rare plant surveys would be an asset), weed species identification, vegetation establishment, assessment and remediation design, drainage and erosion control practices. The project will require working in remote areas, and potentially under variable winter and summer conditions. Certification in standard First Aid and CPR is required. Also required is a Workers' Compensation Board (WCB) Letter of Clearance, Certificate of Insurance for third party liability (minimum of 1 million dollars), accident insurance coverage to operate vehicles and equipment and a Certificate of "Errors and Omissions" Insurance for professional consultants.

2. **Comment (February 15, 2002 letter):** Each of the two plans fail to provide for a baseline study to be completed prior to the construction activities. Without baseline studies of the actual development area, there is nothing against which one can compare the observations of the monitors. We strongly recommend the plans be amended to provide for baseline studies.

Response: An environmental impact assessment, including field investigation by vegetation and wildlife biologists from July 5-11 and September 11-12, 2000, was conducted by Alpine Environmental Consulting Ltd. (Alpine) and Golder Associates Ltd. (Golder) in which Section 3.7 discusses regional vegetation and Section 3.8 discusses wildlife. Paramount considers this referenced study dated April 2001 to satisfy baseline criteria. Further, if you refer to Figure 1 in both the Re-vegetation and Wildlife Monitoring Plans you will note quadrat 1 and the 5 m undisturbed ROW edge respectively, provide for close proximity background comparisons. Finally, it should be realized that construction of the pipeline is already well underway to enable Paramount to be completed within the work window available this winter.

Most importantly one should be aware of the purpose of the wildlife study, which is to determine the effect the pipeline right-of-way has on habitat use by wildlife in the area of the pipeline, and how the wildlife behave when they encounter the right-of-way. The purpose of establishing a transect at 150 m, and an additional transect at 250 m perpendicular to the right-of-way as suggested by GNWT, is to gather control data (i.e., what the animal activity and density of tracks are at a significant distance from the right-of-way).

The purpose and requirement of the Right-of-Way Re-vegetation Plan is to assess the vegetation recovery after construction in seeded and unseeded areas and compare the presence and relative abundance of indigenous and non-indigenous species in the seeded areas versus the unseeded areas as explained in the introduction of the plan.

3. Comment (February 15, 2002 letter): Each of the proposed plans would allow Paramount to end the monitoring activity early – after just two years if “little or no significant information or findings were reported” in the case of the Wildlife Monitoring Plan, and as soon as a ‘trend’ is established in the case of the Re-vegetation and Permafrost Monitoring Plan. Firstly, the Wildlife Monitoring Plan must describe what is meant by ‘significant information’. Secondly, and more importantly, we are concerned about risking a pre-mature end of monitoring activity: two years of constant information does not mean the third year will produce the same information.

Response: The above concern was in reference to the third paragraph of Section 4 – Schedule of the Wildlife Monitoring Plan. Paramount has reworded the phrasing to read: “Paramount requests that the program be reviewed after two years of data have been collected and evaluated by Regulatory biologists. At that time, if the data does not provide useful correlations or if a trend cannot be established, Paramount would request relief from continuing the wildlife-monitoring program.” The wording ‘significant information’ has been removed and replaced by ‘useful correlation or if a trend cannot be established’. Also, this determination would be established by Regulatory biologists, who would need to concur with Paramount’s justification to grant their request to terminate the monitoring program early.

4. Concern (February 15, 2002 letter): We note the plans propose all monitoring activity would have a final end date 2007, despite the Project expected to operate for 20 years. At the very least, the plan should provide for monitoring to continue until either there is conclusive evidence that monitoring is no longer necessary, or the project is terminated and abandoned.

Response: Condition 18(b) and 20(c) of NEB Section 58 Order XO-P097-02-2002 and conditions 14(b) and 16(c) of the NEB COGOA Order EPO-01-2002 prescribe monitoring reports on an annual basis for a period of five years following construction. Paramount will comply with the above NEB orders and concurs with the imposed duration of the plans as reasonable and adequate time periods to assess the affects of the project.

5. Concern (February 15, 2002 letter): With regards to the Wildlife Monitoring Plan, winter track counts ought to be performed not just at 3 sample ROWs, but also around the camp, airstrip, wells and winter access road. The counts around ROWs should be conducted at different ROWs, representing different habitats, at least four times a month during the winter. We recommend the Plan be modified to reflect these standards.

Response: The methodologies outlined for the subject monitoring plans are based on standardized environmental procedures for the scientific community and are intended to meet the purpose of each plan as prescribed by the various regulatory agencies’ requirements outlined in the introduction section of each plan. As stated, the monitoring programs were developed after consultation on the methodology and purpose with Environment Canada (EC), the Government of the Northwest Territories (GNWT) and the Mackenzie Valley Land and Water Board (MVLWB) on January 24, 2002 in Yellowknife, NT and National Energy Board representative on January 25, 2002. Paramount is not familiar with the standards you refer to in your comment above and

requests you provide a copy of your source. As for monitoring additional ROWs, around the camp, airstrip, wells and winter access road; as stated in the Wildlife Monitoring Plan, Wildlife Sighting Cards (Appendix I) will be distributed to the project employees for this purpose.

6. **Concern (February 15, 2002 letter):** *The Wildlife Monitoring Plan does not discuss how collected information will be used to assess the effectiveness of existing mitigation practices, or how existing mitigation practices will be modified based upon the data. We recommend incorporating provisions into the Plan so that it will address these issues.*

Response: Once the data has been collected and analyzed, a report will be produced that will outline the findings and provide an assessment of the effectiveness of existing mitigation, as it pertains to the wildlife use of the corridor that contains the right-of-way. Recommendations will be developed, based on the findings of the wildlife monitoring program, and will consider appropriate mitigation options focused on the findings of the report. The objectives of the re-vegetation program are to compare natural re-vegetation of a sloped area within the ROW, to the re-vegetation on a seeded, sloped area within the ROW. As stated in the plan, investigation would provide information on the germination success of the seed mixture, identify any competition issues between the seeded species and native vegetation species, and, any benefits or concerns that could be attributed to the introduced vegetation cover. The data collected from the quadrats and transects would be compared with statistical analyses, such as analysis of variance (ANOVA) to determine differences in re-vegetation patterns between the seeded and unseeded slopes.

7. **Concern (March 1, 2002 letter):** *We have comments on the Noise Survey. As we stated during the review process, the Ka'a'Gee Tu First Nation is extremely concerned about the impact of noise from Paramount's pipeline project upon local wildlife. There is no evidence that the consultants who prepared the survey considered the impact of noise on animals, either in project design or in the recommendations. In our opinion, the Noise Survey falls below the standard set by Canadian courts for consultation; the Ka'a'Gee Tu's concerns must be substantially addressed. The Noise Survey must be re-fashioned to substantially address, and mitigate, the potential impact of noise caused by Paramount's activities on wildlife.*

Response: The Noise Survey you have referred to is a baseline noise survey as requested by the following conditions in the various approvals:

- a) Condition 78 of the MVLWB Land Use Permit MV2000P0055;
- b) Condition 12 of the NEB Order EPO-01-2002 under COGOA.

The purpose of the baseline survey is to establish a reference noise level prior to construction or operations activities commencing in the project area. Paramount has used the noise guidelines generated by the Alberta Energy and Utilities Board (AEUB) to design its facilities. The assessment of the impact from the noise generated by the project was addressed in Sections 5.2.1, 5.4.1, 5.5.1, 5.5.1.5 and Tables 5.5, 5.7, 5.8(a), 5.8(b) and 5.8(c) and more specifically as it relates to wildlife impacts, in Sections 5.5.5 and 7.7 – titled, “*Disturbance to Wildlife*” within the Environmental Impact Assessment for the Cameron Hills Gathering System and Facilities Project – April 2001. Paramount

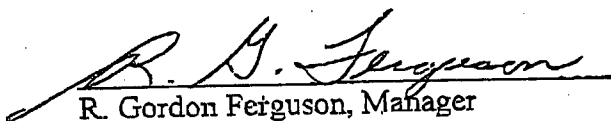
submitted that when exposed to predictable, frequent, non-threatening events, wildlife is able to habituate. Paramount submitted that wildlife would become habituated to project activities and associated noise and light, particularly since activity would be restricted to the facility sites and access and because wildlife would not be chased or harassed.

No later than 30 days after the commencement of operations an environmental noise assessment survey indicating the noise levels resulting from equipment operating at the facilities will be conducted. In the event of changes to operations or increase in the throughput levels used as a base for the above noise survey, a subsequent environmental noise assessment survey would be undertaken.

We trust these responses have provided sufficient clarification to address your concerns in these matters.

Sincerely,

- Paramount Resources Ltd.



R. Gordon Ferguson, Manager
Corporate Compliance Department

Cc: Allan Landry, Ka'a'Gee Tu First Nation
Chief and Council, Ka'a'Gee Tu First Nation
Shirley Maaskant, Paramount Resources Ltd.
Tom Hong, Paramount Resources Ltd.
Art Flaws, Paramount Resources Ltd.
Alan Hollingworth, Gowlings
Michel Mantha, National Energy Board
Joe Acorn, Mackenzie Valley Environmental Impact Review Board
Lorne Tricoteaux, Indian and Northern Affairs Canada
Bob Bailey - GNWT
Board Members - MVLWB